Building up Goodwill: British Business, Development and Economic Nationalism in Ghana and Nigeria, 1945–1977

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Contemporary sub-Saharan Africa presents a puzzle to many observers, and has generally been perceived as a hostile environment to modern business. It is indeed difficult to make sense of politics and business on the continent without understanding how African colonies turned into independent countries since the late 1950s, and how they evolved into postcolonial states from the 1970s onwards. Imperial business was witness to these fundamental changes in African societies and deeply affected by it. Although some economic indicators in the 1970s were relatively favorable (many commodity prices were high), this was the decade when the severe decline of Africa, both in relative and absolute terms, began. While the colonial powers had left, imperial business stayed behind and forged close links to African political elites in the 1950s and 1960s. By the 1970s, they were challenged, both in Africa and internationally, as being part of a new form of colonialism. Foreign companies became deeply involved in the upheavals and challenges in African countries as they learnt to negotiate the treacherous political environment before and after independence.

My PhD dissertation is a study of companies' quest for legitimacy in times of political transformation. In the case of British business in Ghana and Nigeria, these companies were moreover relatively disengaged from their host societies, as they had previously been able to operate within an imperial culture that allowed them to ignore many dissatisfied voices. As firms began to adapt to the new political framework that emerged as the British Empire withdrew from its West African colonies, they forged new contacts with the new governments and its local workforce. Ghana became independent in 1957 and Nigeria followed three years later. Throughout most of the 1950s and 1960s a climate of optimism prevailed, but by the 1970s the relationship between foreign business and host governments came under severe strain, the roots of which dated back to the 1960s and in some cases even the late 1940s and 1930s. What made the 1970s such an important decade was the convergence of local and international trends. Within African states redistributional struggles could no longer be mitigated effectively, and a distinctly African version of a modern state fully came into its own: the postcolonial state. This was a state fundamentally based on African traditions of rule and wealth accumulation, despite appearing in the guise of a modern constitutional state.

Internationally, criticism of multinational corporations was ripe, and influential books such as Walter Rodney's "How Europe Underdeveloped Africa" were widely read.[i] Even within international business studies an important scholar like Stephen Hymer, whose doctoral dissertation had advanced the field substantially, converted to neo-Marxism and condemned the extractive nature of multinationals.[ii] Governments in Latin America, Asia, and Africa demanded greater control and ownership over foreign companies operating in their territories. In this climate, companies that had weathered the storms of decolonization now found themselves faced with a global wave of expropriations quite unlike anything that had occurred before. It has been widely perceived as an attempt of developing countries to take control of foreign investment. However, the experience of British companies in Nigeria and Ghana tells a different story. Most managed to retain control – although three of the companies researched lost parts of their operations. From their archives and a close analysis of the actual practice and impact of the specific form of legislation that was prevalent in Africa, it becomes clear that multinationals were far from the only and even the primary target in this "battle for control". Throughout the 1950s and 1960s they had successfully positioned themselves as part and parcel of

African development strategies, and although this defense was eroding later on, in the 1970s they were fairly deeply embedded in the business environment and much of the attacks against foreign investors just served to reinforce this trend by increasing the collaboration with African partners.

Scope Of This Study

In my doctoral dissertation I have analyzed corporate responses to deal with political and social transformation in culturally and geographically distant host economies. For this I chose five British companies that operated in two British West African colonies. The companies picked were amongst the most influential firms in commerce (United Africa Company, John Holt & Co.), finance (Barclays Bank DCO, Bank of West Africa – later Standard Chartered), manufacturing (United Africa Company) and mining (Ashanti Goldfields Corporation) in British West Africa in the late 1940s and early 1950s. British firms dominated the business world, but French, Swiss, German and US firms were or became important in the time period studied. They were similarly affected by the trends and problems addressed in the dissertation, but the British firms encountered greater antagonism due to their imperial past. The study excludes oil companies, as they were late entrants after independence, only invested in Eastern Nigeria, and were dealt with separately by the government from the rest of the foreign business community.

Ghana and Nigeria were chosen as case studies because they are in many ways good examples for the experience of new African states. The continent has over 50 states, which were mostly colonies of the British, French, Portuguese, Spanish, Germans or Belgians, and which varied between settler and non-settler colonies. Hence it is difficult to choose two countries that are representative of the whole. Nigeria and Ghana were two of the four countries identified to carry out the majority of expropriations in Africa.[iii] They are also an interesting pair that is frequently studied in African Studies as they are similar and different at the same time: both became British colonies around the same time in the same region and had been affected by the slave trade before that. Ghana, the smaller country, had always been perceived by the British Colonial Office as more highly developed than Nigeria. While Ghana went from being relatively wealthy at the beginning of my research period (1945), by the 1970s it was considered impoverished. The much larger Nigeria, however, became wealthy in national terms due to the discovery of substantial amounts of petroleum in the East (though this did not lead to great improvements in the livelihoods of the majority of the population). While Ghana experimented with Afro-socialism under its first president Kwame Nkrumah and some later leaders, Nigeria always remained fairly market-oriented. Nigeria experienced significant upheaval as a result of ethnic factionalism that culminated in a civil war from 1967-1970. Ghana experienced very little ethnic strife, other than a brief period of Asante regionalism (the main gold producing area) in the early years of Nkrumah's rule.

Synopsis

My dissertation focuses on how companies managed two very important stakeholder groups: government (colonial administration, first independent republics, and the military regimes that followed) and labor (black African and white expatriate workforce). The time frame is bounded by two phases of high levels of criticism of foreign business in Africa. In the late 1940s and early 1950s public protests, boycotts, strikes and riots alerted a rather complacent business community to its own unpopularity, while the post-war Labour government in the UK considered nationalizing large companies such as the United Africa Company.

The two chapters introducing the two parts of the thesis (Chapters 3 and 6 respectively) analyze the corporate response to these challenges by framing their presence in terms of their benefits to economic development hand in hand with the implementation of welfare and African advancement policies. With this they initially targeted both the Colonial Office and African politicians, but the latter became increasingly important. Strikes and protests in Ghana and Nigeria were frequently politically inspired, and I argue in the dissertation that for Ghana and Nigeria it was between 1952 and 1953 that an important, yet mostly politically negotiated switch from colonial reform towards full-blown decolonization occurred. For most of the 1950s and 1960s, a time period of extraordinary prosperity in Africa, British business learnt to find a consensus with government over the nature of economic development (Chapters 3 and 4). Around the time of the failure of the first independent republics in Nigeria and Ghana in 1966, the political networks that firms had built showed signs of eroding (Chapter 5). The 1970s turned out to be a decade of widespread expropriations in the developing world, yet in Africa they usually took the form of indigenization rather than nationalizations. Indigenization means that the government enacts legislation that requires business to sell specific percentages to private or public domestic interests depending on the size and type of enterprise. Nationalizations were relatively rare, and complete takeover of industries only occurred in timber in Ghana, and in the financial industry in Nigeria (although the government also took over large parts of the oil industry, which remained fairly ineffective due to the lack of technical know-how). Hence although the 1970s were widely interpreted as a time period of severe challenge to the ownership and control of multinationals in less developed countries, most companies managed to mitigate its effects in Africa quite well. The dissertation addresses why this was the case, and why business experienced two phases of local protests against its operations separated by a 10 to 15 years gap of relatively cooperative atmosphere.

The second part focuses on labor and the advancement of Africans into managerial posts in expatriate companies, which reached significant levels even before the Civil Rights Movement in the U.S. became really influential. While comparing trends between civil service and private sector as well as between different companies (Chapter 7), I also address the internal dynamics that supported or obstructed the promotion of Ghana and Nigeria to positions of responsibility (Chapter 8). What has received next to no attention in the literature is the fact that Western companies felt consistently threatened by the pressure to promote Africans, often more so than by localization and indigenization legislation.[iv] Developing and keeping competent and trusted African staff was an important part of corporate goodwill strategies to gain legitimacy in independent Africa.

The Argument

As the time frame studied covers over 30 years, the thesis addresses three different research debates: one focuses on the early years of decolonization, one relates to the whole time frame, and the final one deals with the role of expropriations in the late 1960s and 1970s. The first research debate comes from imperial history, where several authors have analyzed the role of business during decolonization. As a result of choosing a longer time frame I disagree with some of their interpretations. The second relates to the nature of the development discourse, which has been discussed by both African studies and development studies, and to which I add the business dimension. The third and final debate that my dissertation contributes to comes from imperial history and the social sciences, especially international business, international studies and political economy. International business authors have discussed the meaning of expropriations and political risk in the 1970s and 1980s, and economists and historians wrote on the interpretation of economic nationalism, which is its underlying political expression. I will address these three subjects in turn.

In recent years imperial history has seen a series of studies on African and Asian countries and how Western business behaved during decolonization. The main authors are Sarah Stockwell (revising the work of Josephine Milburn), Robert Tignor, Nicholas White and Larry Butler.[v] As White has summarized in his review article of the field in 2003, most authors agree that business had relatively little influence on governments during decolonization.[vi] Although business was far from unaware or naïve about the impact of African nationalism and imperial disengagement on their institutional environment, they found it difficult to find support from colonial administration during this phase, which White summarized as "a fundamental lack of unity between business and government thinking on development and decolonization issues."[vii]

Although different authors qualify this in their respective case studies – Butler recently pointed out the pivotal influence of Sir Ronald Prain on the decolonization process in Northern Rhodesia/Zambia, and Tignor highlighted the variety of economic policies organizing the business sector in Egypt, Kenya and Nigeria – there is a general consensus between authors that business and government did not share a common understanding of the big political, economic and social questions of the time.[viii]

It is this basic understanding that I disagree with, especially with regard to the development issues. While there were certainly some company directors vehemently opposed to decolonization, like Edward Spear of Ashanti Goldfields in Ghana, acceptance of the inevitability of independence was spreading in the business community in the 1950s. And although the relationship of British business to the Colonial Office was no longer as close as it used to be, it still found access much easier than other Western firms or indeed the majority of African ones, where only a few very prominent business people gained some political influence.[ix] As a result of choosing a longer research time frame than the imperial studies, which all end at independence (with the exception of Nicholas White, who also wrote on the fate of foreign business in independent Malaysia in a separate study)[x], my dissertation focuses more on the relationships business built with the African politicians that emerged during and after decolonization.

While most of the studies mentioned above focus on the issue of decolonization, my key interest lies on the issue of development, which increasingly subsumed a range of social and economic issues that had been contested earlier as part of anti-colonial protests. By the 1950s, poverty and lack of opportunities for advancement had become part of the wider complex of economic development, which was governed by African politicians rather than colonial officials, and their expert advisors. The work by Frederick Cooper on decolonization and development discourse, as well as an earlier book by Tony Killick on development policy in Ghana under Nkrumah, has shown that new African governments employed contemporary notions of development to legitimize their own rule as well as their position in the international arena.[xi] My study adds the business angle to this argument by showing that companies began to position themselves in decolonizing and independent Africa in terms of their own potential contribution to development, outlining strategies that were in accord with wider national economic planning.

This strategy, however, reached its natural limitations when the political and economic environment became more hostile towards multinational companies in the 1970s. With regard to expropriations in Africa, the imperial historian David Fieldhouse has argued that the economic nationalism of the late 1960s and 1970s was in effect a delayed economic decolonization that was a nail in the coffin of imperial companies such as the United Africa Company, as African government sought to wrest economic power from their hands.[xii] Similarly, Stephen J Kobrin argued from an international business perspective that the worldwide trend of expropriations in developing countries represented an attempt by host governments to take control over foreign investments.[xiii] I would argue that it was rather an attempt to gain greater leverage on management and access to their revenue stream. While bargaining power decidedly shifted in favor of African politicians and private businessmen, they only rarely challenged foreign investors outright.

There are a number of competing approaches that fit my interpretation of most cases of African economic nationalism, especially if of a similar type than the one found in Ghana and Nigeria (i.e. indigenization, which was the most commonly used type of legislation in Africa). Paul Collins argued that expropriations were intricately connected to cases of redistributional struggles within African countries, a point that Thomas Biersteker also made in his study of Nigeria.[xiv] More than a decade earlier, two economists had proposed a conceptual framework for economic nationalism in developing countries, based on the Canadian case: Albert Breton suggested that economic nationalism in Canada served internal political purposes, and Harry G Johnson extended this idea to the "new states" of the 1960s.[xv] He argued that countries that chose to follow economic nationalism traded off the benefits ordinarily derived from free competition for a psychological good: the satisfaction of having national ownership of significant parts of the domestic economy. More importantly, national ownership ensured that some groups experienced better economic opportunities through employment and commercial openings for nationals. These groups had often captured the state and managed to implement policies that served their own interests disproportionately compared the majority of the population.

Precisely this view has been put forward by political scientists working on Africa. Robert Bates, in his study of agrarian politics in African states, came to the conclusion that coalitions between large farmers, government bureaucrats and large companies conspired to create conditions that would shelter them from greater competition, hence ensuring windfall profits, which were ultimately gained at the expense of the politically marginalized and poor in the country.[xvi]

All of these interpretations, although few of them specifically focus on business, offer a much more convincing framework to explain my archival findings than Fieldhouse and Kobrin's argument that countries sought to gain control from multinationals. This was not convincing for two reasons. Firstly, as already stated, few companies actually entirely lost control of their investments, though Nigeria was certainly rich enough to nationalize all business (due to its significant oil wealth) and Ghana's government was radical and isolated enough to at least attempt it. Yet there were only a few politicians and bureaucrats fully committed to nationalizing foreign companies. Moreover, the international climate was quite favorable for countries seeking to control economic activities: theories of underdevelopment had widespread support; the power of OPEC shook the Western governments and expropriations were also occurring in Asia and Latin America. All of these factors significantly undermined the bargaining power of foreign investors.

Secondly, some investors lost their enterprise as a result of indigenization decrees in Ghana and Nigeria – but they were not Western multinationals. They were mostly micro, small or medium-sized enterprises run by other African nationals or Lebanese, who directly competed with Ghanaians and Nigerians.[xvii] Ghana also expelled foreigners without documentation (i.e. other African nationals) in the late 1960s (including many Nigerians) and Nigeria did the same in the early 1980s (which, amongst others, affected many Ghanaians). This domestic element of redistributional struggles has mostly been ignored by the standard interpretations. Foreign multinationals were obviously also affected by these decrees, but they had been part of the coalitions described by Bates, and they could frequently negotiate the impact on their operations. In most cases the goal was to ensure a greater share for domestic interests in the profits made by multinationals, and the legislation was clearly geared towards this objective (by forcing companies to sell equity locally at artificially depressed prices in order to ensure more profits to be retained by Nigerians and Ghanaians – although the individuals benefitting were clearly already wealthy and politically well-connected).

Both in the Ghanaian as well as the Nigerian case this course of events was preceded by economics shocks: Ghana's economy collapsed, large numbers of people left the country, the remaining ones resorted to smuggling and the black market. In Nigeria, the opposite happened: the discovery of oil lead to an enormous influx of petro-dollars, which upset the internal price and wage levels and made traditional commercial pursuits (especially export crops) uncompetitive. As the oil wealth was far from evenly distributed or invested productively, and moreover served to fuel a bitter civil war, it did not materially improve the standard of living in the country for the vast majority of Nigerians.

By revising long-held assumptions about the nature of economic nationalism in Africa and establishing the importance of the internal changes in business with regard to control arrangements and racial composition of management, my dissertation provides a new approach to one of the most significant periods of time in recent African history. It offers a new explanation of the relationship between foreign business and postcolonial governments and reinterprets the nature of political risk faced by companies in Africa after decolonization.

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[i] Walter Rodney, *How Europe Underdeveloped Africa* (London: Bogle-L'Overture, 1972).

[ii] John H Dunning and Christos N Pitelis, "Stephen Hymer's contribution to international business scholarship: an assessment and extension," *Journal of International Business Studies* 39 (November 2007): 9-26.

[iii] Leslie L. Rood, "Nationalisation and Indigenisation in Africa," *Journal of Modern African Studies* 14, no. 3 (1976): 427-47.

[iv] Localization refers to legal pressure to locally incorporate extra-territorial companies and publish balance sheets on the domestic part of the enterprise.

[v] Sarah E. Stockwell, *The Business of Decolonization: British Business Strategies in the Gold Coast* (Oxford: Clarendon, 2000), Josephine F. Milburn, *British Business and Ghanaian Independence* (Hanover, N.H.: University Press of New England, 1977), Robert L. Tignor, *Capitalism and Nationalism at the End of Empire: State and Business in Decolonizing Egypt, Nigeria, and Kenya, 1945-1963* (Princeton, N.J.: Princeton University Press, 1998), Nicholas J White, *Business, Government and the End of Empire: Malaya 1942-1957* (Oxford: Oxford University Press, 1996), Larry J Butler, *Copper Empire: Mining and the Colonial State in Northern Rhodesia, c. 1930-64*, Cambridge Imperial and Post-Colonial Studies (Houndmill: Palgrave Macmillan, 2007).

[vi] Nicholas J. White, "The Business and the Politics of Decolonization: The British Experience in the Twentieth Century," *Economic History Review* 53, no. 3 (2000): 544-64.

[vii] White, “Business”, in *Economic History Review*, 546.

[viii] On Prain see Larry J. Butler “Business and British decolonisation: Sir Ronald Prain, the mining industry and the central African federation,” *Journal of Imperial and Commonwealth History*, no. 35, 3 (2007): 458-84.

[ix] This has certainly been argued from an African Studies perspective: Jan-Georg Deutsch, *Educating the Middlemen: A Political and Economic History of Statutory Cocoa Marketing in Nigeria, 1936-1947* (Berlin: Das Arabische Buch, 1995), Axel Harneit-Sievers, "African Business, "Economic Nationalism," and British Colonial Policy: Southern Nigeria, 1935-1954," *African Economic History*, no. 24 (1996): 25-68.

[x] Nicholas J. White, *British Business in Post-Colonial Malaysia, 1957 -70: Neo-Colonialism or Disengagement?*, RoutledgeCurzon Studies in the Modern History of Asia 21 (London: RoutledgeCurzon, 2004).

[xi] Frederick Cooper, *Decolonization and African Society: The Labor Question in French and British Africa*, African Studies Series 89 (Cambridge: Cambridge University Press, 1996), Frederick Cooper and Randall M. Packard, eds., *International Development and the Social Sciences: Essays on the History and Politics of Knowledge* (Berkeley, CA & London: University of California Press, 1997), Tony Killick, *Development Economics in Action: A Study of Economic Policies in Ghana*, Studies in the Economics of Africa (London i.a.: Heinemann Educational, 1978).

[xii] David K. Fieldhouse, *Black Africa 1945-80: Economic Decolonization and Arrested Development* (London: Allen & Unwin, 1986), idem, *Merchant Capital and Economic Decolonisation: The United Africa Company 1929-1987* (Oxford: Clarendon, 1994).

[xiii] Stephen J. Kobrin, "Expropriation as an Attempt to Control Foreign Firms in LDCs - Trends from 1960 to 1979," *International Studies Quarterly* 28, no. 3 (1984): 329-48.

[xiv] Paul Collins, "The Political Economy of Indigenization: The Case of the Nigerian Enterprises Promotion Decree," *African Review* 4, no. 4 (1974): 491-508, Thomas J. Biersteker, *Multinationals, the State, and the Control of the Nigerian Economy* (Princeton, N.J.: Princeton University Press, 1987).

[xv] Albert Breton, "The Economics of Nationalism," *The Journal of Political Economy* 72, no. 4 (1964): 376-86, Harry G. Johnson, "A Theoretical Model of Economic Nationalism in New and Developing States," in *Economic Nationalism in Old and New States*, ed. Harry G. Johnson (London: Allen & Unwin, 1967).

[xvi] Robert H. Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies* (Berkeley, Los Angeles & London: University of California Press, 1981). For a related argument about African statecraft see also Jean-Francois Bayart, *The State in Africa: The Politics of the Belly* (London: Longman, 1993).

[xvii] Their enterprises were domestic in nature, although the owners themselves were not nationals.